Pacific Basin

HSBC Transport, Infrastructure & Logistics Conference
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Mats Berglund, CEO, Pacific Basin

25 June 2019
A Weak Start to the 2019 Dry Bulk Market

PB Handysize TCE Performance

- PB 1Q TCE: $9,080

PB Supramax TCE Performance

- PB 1Q TCE: $10,400

PB Continued to Outperform Market

* excludes 5% commission
Source: Baltic Exchange
Much Less Soybeans (Animal-feed) from US to China Oct-Jan

Soybean continues to register seasonally high weekly sales to China – surprising in light of the Trade War escalation

This time last year is when soybean sales to non-Chinese destinations (mostly Europe) were very strong

Source: USDA
### Dry Bulk Market Factors

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Minor Bulk Expected to Drive Demand in 2019

- In January and February 2019:
  - 7 key minor bulk commodities (including grain) into China grew 7% YOY
  - Chinese iron ore and coal imports declined 3% YOY
  - We expect continued growth in minor bulk demand and grain to bounce back
  - A resolution to trade tensions would provide a welcome boost to the market
  - Minor bulk demand expected to grow 4.2% in 2019

Source: Bloomberg, Clarksons Research, as at April 2019
China Reached Another All-time High for Crude Steel Production in May

- China produced 89.1 million tonnes of crude steel in May which is equivalent to an annualised pace of 1.049 billion tonnes.

- The share of China’s steel that gets exported has been declining the last few years. In May the steel exports represented 6% of the produced steel.

Source: Bloomberg
YTD Iron Ore and grain Weigh on Chinese Imports while Most Minor Bulks are up

Chinese dry bulk imports 2019 YTD change
Total all 11 cargoes down 5 million tonnes / (1%)
All excl i-ore & coal: up 10 million tonnes / +7%

Data for Jan-May except those market * which is Jan-April

<table>
<thead>
<tr>
<th>Cargo</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-ore</td>
<td>(5%)</td>
</tr>
<tr>
<td>Coal</td>
<td>+6%</td>
</tr>
<tr>
<td>Soyb</td>
<td>(12%)</td>
</tr>
<tr>
<td>Cereal</td>
<td>(33%)</td>
</tr>
<tr>
<td>Logs*</td>
<td>4%</td>
</tr>
<tr>
<td>Mang*</td>
<td>+28%</td>
</tr>
<tr>
<td>C-conc</td>
<td>+16%</td>
</tr>
<tr>
<td>Ferts</td>
<td>+12%</td>
</tr>
<tr>
<td>Chrom*</td>
<td>(7%)</td>
</tr>
<tr>
<td>Baux</td>
<td>+36%</td>
</tr>
<tr>
<td>Ni-ore*</td>
<td>+14%</td>
</tr>
</tbody>
</table>

Source: Bloomberg
### Better Supply Fundamentals for Handysize / Supramax (I)

<table>
<thead>
<tr>
<th></th>
<th>Scheduled Orderbook as % of Existing Fleet</th>
<th>Average Age</th>
<th>Over 20 Years</th>
<th>Over 15 Years</th>
<th>YTD Scrapping as % of Existing Fleet as at 1 Apr 2019 (annualised)</th>
</tr>
</thead>
</table>
| **Handysize – 84m dwt**  
(25,000-41,999 dwt)         | 5.6%                                      | 10          | 11%           | 19%            | 0.2%                                                            |
| **Supramax – 199m dwt**  
(42,000-64,999 dwt)          | 7.3%                                      | 10          | 8%            | 17%            | 0.2%                                                            |
| **Panamax – 226m dwt**  
(65,000-119,999 dwt)         | 11.0%                                     | 10          | 8%            | 19%            | 0.2%                                                            |
| **Capesize and larger – 321m dwt**  
(120,000+ dwt)              | 15.3%                                     | 9           | 5%            | 13%            | 2.6%                                                            |
| **Total Dry Bulk – 847m dwt**  
(>10,000 dwt)              | 11.1%                                     | 10          | 8%            | 16%            | 1.2%                                                            |

- **Lower orderbook**
- **More older ships**

Source: Clarksons Research, as at 1 April 2019
Better Supply Fundamentals for Handysize / Supramax (II)

- Scrapping remains very low for Handysize/Supramax, but has increased for the larger vessel segments
- Steadily reducing net fleet growth in Handysize/Supramax segment

Source: Clarksons Research, as at April 2019

### Overall Dry Bulk Supply Development

<table>
<thead>
<tr>
<th>Year</th>
<th>New Deliveries</th>
<th>Scrapping</th>
<th>Shortfall</th>
<th>Scheduled Orderbook</th>
<th>Net Fleet Growth</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>36%</td>
<td>2.2%</td>
<td>4.4%</td>
<td>-15</td>
<td>-10</td>
</tr>
<tr>
<td>2015</td>
<td>42%</td>
<td>2.2%</td>
<td>2.4%</td>
<td>-10</td>
<td>-5</td>
</tr>
<tr>
<td>2016</td>
<td>48%</td>
<td>2.2%</td>
<td>2.4%</td>
<td>-5</td>
<td>0</td>
</tr>
<tr>
<td>2017</td>
<td>34%</td>
<td>2.2%</td>
<td>2.4%</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>2018E</td>
<td>19%</td>
<td>2.2%</td>
<td>2.4%</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>2019F</td>
<td>2.5%</td>
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<td>2.4%</td>
<td>10</td>
<td>15</td>
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<td>20</td>
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<tr>
<td>2021F+</td>
<td>1.7%</td>
<td>2.2%</td>
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<td>20</td>
<td>25</td>
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### Handysize / Supramax Supply Development

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<td>0.2%</td>
<td>2.9%</td>
<td>20</td>
<td>25</td>
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Current Orderbook:
- Overall: 11.1%
- Handysize/Supramax: 6.8%

- Total: 3.3% Handysize/Supramax, 2.8% Supramax, 0.7% other segments
Favourable Minor Bulk Supply and Demand Outlook

- 2019 weak start – trade war uncertainty and Chinese import policies
- Attractive supply fundamentals in our segments with supply disruptions expected approaching IMO 2020
- Factors other than supply and demand can also drive rates: bunker prices and speed, off-hire, congestion, sentiment, etc.

* Major Bulk includes iron ore, coal and grains

Source: Clarksons Research, as at April 2019
## Dry Bulk Market Factors

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Understanding Our Core Market

The Dry Bulk Sector

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<tr>
<th>Bulk Carrier Ship Types</th>
<th>Percentage of Global Dry Bulk Capacity</th>
<th>Versatility</th>
<th>Main Commodities Carried</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Handysize</strong> (formerly Handymax) 25,000-41,999 dwt</td>
<td>10%</td>
<td></td>
<td>Minor Bulks</td>
</tr>
<tr>
<td><strong>Supramax</strong> (formerly Handymax) 42,000-64,999 dwt</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Panamax &amp; Post-Panamax</strong> 65,000-119,999 dwt</td>
<td>27%</td>
<td></td>
<td>Major Bulks</td>
</tr>
<tr>
<td><strong>Capesize and larger</strong> 120,000+ dwt</td>
<td>39%</td>
<td></td>
<td></td>
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Other Mainstream Shipping Sectors

- Tankers for oil, gas & chemicals
- Containerships for containerised goods

Panasonic

Our Focus

- B: Minor Bulks with cranes
- B: More versatile
- Major Bulks without cranes
- Panamax & Post-Panamax: Less versatile

Major Bulks: Grains, Coal, Iron Ore

Minor Bulks: Ores, Coal/Coke, Sugar, Concentrates, Coke, Logs/Forest Products, Alumina, Salt, Cement & Clinker, Bauxite, Sand & Gypsum, Scrap, Grains, Fertiliser, Steel

Four ports, four customers, low cargo types, low scope for triangulation

Many ports, many customers, many cargo types, high scope for triangulation

With you for the long haul
Our Business Model Continues to Outperform

Our business model has been refined over many years. We are able to generate a TCE earnings premium over market rates because of our high laden percentage (minimum ballast legs), which is made possible by a combination of:

- Fleet scale
- High-quality interchangeable ships
- Experienced staff
- Global office network
- Cargo contracts, relationships and direct interaction with end users
- High proportion of owned vessels facilitating greater control and minimising trading constraints
- Versatile ships and diverse trades in minor bulk

TCE Outperformance Compared to Market in Last 5 Years

<table>
<thead>
<tr>
<th>Premium Type</th>
<th>Year</th>
<th>Baltic Indices</th>
<th>Pacific Basin Premium</th>
</tr>
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<tbody>
<tr>
<td>Daily Handysize</td>
<td>2015</td>
<td>0</td>
<td>$10,060</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2,000</td>
<td>$9,075</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>4,000</td>
<td>$5,730</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>6,000</td>
<td>$9,190</td>
</tr>
<tr>
<td></td>
<td>1Q19</td>
<td>8,000</td>
<td>$12,190</td>
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<td>Daily Supramax</td>
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<td>$7,540</td>
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### Competitive at Every Level

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| 1 | TCE/day | Outperforming indexes and most companies who report publicly  
|   |   | Cargo focused business model with 90% plus laden percentage  
| 2 | Opex/day | US$3,850*/day in 2018  
|   |   | Scale, focus and sister ship effects  
|   |   | In-house management  
| 3 | G&A/day | Scale benefits and efficient systems  
|   |   | US$740/day spread over both owned and chartered ships in 2018  
| 4 | Capital Cost/day | Focused on good quality, predominantly Japanese-built secondhand ships  
|   |   | Fleet financed through long-term secured facilities at industry leading cost  

*US$3,850*/day is 2018 blended daily opex cost of Handysize and Supramax
Pacific Basin
Well Positioned for the Future

Our TCE Outperform Market
Average PB premium over market indices in last 5 years¹:

US$1,910/day
Handysize TCE

US$1,430/day
Supramax TCE

More Owned Vessels with Fixed Costs

Efficient Cost Structure

Annual Group G&A Overheads

US$75.7m
2014

US$59.8m
2018

Daily Vessel Operating Expenses
(Combined Handysize and Supramax)

US$4,370
2014

US$3,850
2018

Sensitivity toward Market Rates*

Market Rate

US$1,000
daily TCE

Our Underlying Result

+/-

US$35-40m

Owned Vessel Breakeven
Incl. G&A overheads

US$8,360/day
Handysize²

US$9,040/day
Supramax³

1 PB Premium as at 8 April 2019
2 2018 PB owned Handysize $7,410/day + G&A overheads $950/day ≈ US$8,360/day
3 2018 PB owned Supramax $8,090/day + G&A overheads $950/day ≈ US$9,040/day

* Based on current fleet and commitments, and all other things equal

US$16.1m reversal of onerous contract provisions in 2018
→ Not available in 2019

With you for the long haul
Our Strategic Direction and Priorities

- Maintain and grow our cargo focus and scale
- Continue to be both a fully integrated owner and operator
  - Not only owned ships, not only asset light
- Maintain empowered local chartering and operations close to customers
  - With best in class centralised support & systems
- Keep building our brand
  - Long term thinking, safety, care and quality in everything we do
- Continue to grow our owned fleet with quality second hand acquisitions
- Opportunistically trading up smaller older ships to larger younger ships
- Avoid buying newbuildings
  - due to high price, low return, and new regulations will change technology
- Continue to reduce long term charters
  - Replace with owned ships, and medium and short term chartered in ships
- Thorough preparations for IMO 2020
  - Fuel contracts, cleaning of tanks, installation and testing of scrubbers, new clauses
- Keep our balance sheet strong
There is life after IMO 2020 !!
This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Pacific Basin and certain plans and objectives of the management of Pacific Basin.

Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Pacific Basin to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Pacific Basin's present and future business strategies and the political and economic environment in which Pacific Basin will operate in the future.

Our Communication Channels:

- **Financial Reporting**
  - Annual (PDF & Online) & Interim Reports
  - Quarterly trading updates
  - Press releases on business activities

- **Shareholder Meetings and Hotlines**
  - Analysts Day & IR Perception Study
  - Sell-side conferences
  - Investor/analyst calls and enquiries

**Company Website - www.pacificbasin.com**
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- Fleet Profile and Download
- Investor Relations:
  - financial reports, news & announcements, excel download, awards, media interviews, stock quotes, dividend history, corporate calendar and glossary

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